

WILSON/FERBER TELEPHONE CONVERSATION
FRIDAY, FEBRUARY 4, 2011

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1 absence of that, they must -- they are required to take them
2 from the OTC market. And they are unwilling under their --
3 unable under their rules to take the input of, of voice markets.
4 You know, if we're saying hey, we're five basis points over bid
5 or whatever it is --

6 MS. FERBER: Uh-huh.

7 MR. WILSON: -- and so, yes, I mean, their settlement procedure,
8 you know, we felt wasn't perfect. But then we said okay, you
9 know, they explained to us that they couldn't change the
10 settlement procedure; it was very hard, and we should just suck
11 it up and get access to the, to the API, to the electronic
12 market. So, that's what we've done, and, I mean, you know, the
13 prices that we inject there are absolutely prices that we'd be
14 happy to trade on at any time of the day or night.

15 MS. FERBER: Okay, so you had access to the API, but you weren't
16 flashing prices all the time; you were flashing at 2:45. So,
17 even though nothing's trading it's set to close?

18 MR. WILSON: Well, I --

19 MS. FERBER: They weren't very happy about that.

20 MR. WILSON: Well, here, and, and, and, yet it's completely
21 irrelevant because we're willing to trade at those prices at any
22 time of day.

23 MS. FERBER: I understand, and that's an issue between you, them
24 whatever. I'm just saying, it's, you know -- I look at it, so
25 I'm saying in my other -- in the other hat -- let's grab the
26 other hat of how we know each other, the -- well, both, both,
27 both work about these markets and FIA and all of that. These
28 aren't good issues to have -- be big public disputes and
29 everything. I mean, my personal view on this, and I've been on
30 the other side of this where it's our lose. You take your lose,
31 you take your lesson, you move on, you're smarter, you know.
32 And that's what I say to my guys that's beaten up in lot of
33 cases.

34 MR. WILSON: I'm happy --

35 MS. FERBER: No, no --

36 MR. WILSON: -- to --

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1 MS. FERBER: No, no, about ID -- no, about IDCG, about what we
2 have to demand of these different markets for them to work,
3 about the risks of coming in early to these markets, all these
4 things.

5 MR. WILSON: But you see --

6 MS. FERBER: Okay?

7 MR. WILSON: -- I, I -- here. You know --

8 MS. FERBER: I didn't say you did anything wrong. The whole
9 process was not, was not good it sounds like.

10 MR. WILSON: But, you know, the whole process wasn't good, okay?
11 But you know what? I traded on the floor for many years, and
12 you write something down on a card, right, which is the result
13 of a voice trade that you've conducted, right?

14 MS. FERBER: Uh-huh.

15 MR. WILSON: And you hand your card in. And sometimes the trade
16 doesn't clear. And sometimes the trade's a really large trade,
17 and you don't know what's going on. And you come in the next
18 morning and you say why hasn't this trade cleared? And --

19 MS. FERBER: And look at which way the market moved.

20 MR. WILSON: And if you, if you then made the assumption that
21 you know what, because this trade hasn't cleared I'm going to
22 take it off, I'm going to take my hedge off, and then you told
23 the other side, you know what? This trade didn't clear 'cause
24 you didn't get your card, your trading card in, which is to me
25 what this is akin to, you would be banished from the industry.

26 MS. FERBER: You know, I hear your analogy, you know. It --
27 I -- but I, but I think the analogy breaks down. I probably
28 won't articulate it as well as I want to, but first off, that's
29 you guys. This is -- again, we face the clearing member. We
30 would not do these trades in, in the, you know, absence -- that
31 is absent, whatever. We don't know who the customer is. We
32 face Newedge. They're not putting the limit. So, we're worried
33 about what's going on in this market. Peter's having a
34 sleepless night, and Newedge doesn't do the basic thing of get
35 their form in. It is different. You could -- you take that
36 story and change a little bit of the punch line, like, saying
37 okay, now the other guy's got a big lose, so, I'm, you know, I,

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1 I can't, you know, I can't risk not taking my hedge because now
2 I'm worried why he is -- why this didn't clear. And you guys
3 were also all down on the floor, and you go, you go resolve this
4 things; you go upstairs to the Exchange. You resolve and you
5 figure out if there's some reason it's not cleared. It's just a
6 different world.

7 MR. WILSON: That's exactly right, you call the people or you
8 get a hold of them who are involved in the trade. And you say
9 hey, do you want this trade? Did we do this trade? Are we
10 good?

11 MS. FERBER: We are talking about serious professionals here.
12 Newedge knew they had to get it in. And again, you guys are
13 back to why were we nervous about this. And so it looked very
14 strange that this isn't clearing, and we didn't -- you said --
15 we both said the name wasn't in the confirm. We didn't hear
16 from them. I'm not telling you we shouldn't have called. I'm
17 not telling whether I would have said pick up the phone and call
18 or whatever. But people were starting to get more and more
19 nervous, and not hearing, and, you know, and asking the
20 Exchange -- if the Exchange -- I assume the Exchange was calling
21 Newedge and saying what the hell's going on? I don't know, but
22 it doesn't matter. This is, you know -- again, this is just not
23 about us. And that's not to say I won't be telling my guys --

24 MR. WILSON: I have a question. I have a question.

25 MS. FERBER: Yeah.

26 MR. WILSON: Has there -- when was the last time that your desk
27 did a large trade, and the, and the trade was confirmed, done on
28 taped lines, and then the other side backed out of the trade?

29 MS. FERBER: By the way, I don't know if this was done on taped
30 lines. I think in fact it wasn't. But --

31 MR. WILSON: Why, why would it not have -- I mean, aren't your
32 trading desks on taped lines?

33 MS. FERBER: Not everything, and I don't think where Lauren sits
34 it's taped. They don't face customers. They don't face
35 customers there.

36 MR. WILSON: Okay.

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1 MS. FERBER: They face the market, and that isn't taped. You
2 know, so, that's -- by the way, (inaudible). I mean, there's
3 times you go, the tapes are clear, but to tell you the kind of
4 situations where I get pulled in to listen to the tapes, they're
5 usually ambiguous. (Inaudible)

6 MR. WILSON: This is confirmed. There's an email confirmation
7 of the trade from the broker. So, I mean, it's clearly
8 confirmed. There's no ambiguity about it. I'm wondering is
9 it -- does it -- has it ever happened where a large trade was
10 done, it was confirmed, and then the counterparty to the trade
11 backed-out.

12 MS. FERBER: I, you know, I don't, you know --

13 MR. WILSON: Have you ever heard of something like that?

14 MS. FERBER: Oh, I'm sure I have. You know, I'm sure I have.

15 MR. WILSON: Really?

16 MS. FERBER: But I, but I, you know, I'd have to -- (inaudible)
17 all those facts I have sitting here right now, I don't know.

18 MR. WILSON: Oh, come on. That's a unique situation, large
19 trade done, confirmed --

20 MS. FERBER: Oh, oh, we're talking about people, people find
21 reasons where they go to the tape, or there's, you know, yes, I
22 bought, no, you know, no, yes, I, yes, yes you sold, you know.

23 MR. WILSON: (Inaudible)

24 MS. FERBER: But, so -- I don't, I don't know the answer to your
25 question. But again, these are -- but again, Don, you've got to
26 go back to new markets, clearing relationship only, don't know
27 the customer, facing it, and the damn thing doesn't clear in a
28 market that we're nervous about (inaudible). Okay, we've now
29 been, you know, exposed overnight on this. We've got one side
30 on only, we've been exposed, and this must not be clearing for a
31 reason. I'm not telling you I don't wish our guys, you know. I
32 mean, we can talk about the difference between what you might
33 do. Like, let's say they knew it was you on the other side.
34 Would they have called the customer directly and said something?
35 May -- you know, would I hope Pete, you know --

36 MR. WILSON: I would hope so.

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1 MS. FERBER: -- would Pete would have called, yeah, but that's
2 not what's going on here. So, you -- we all have to recognize
3 this is a little different at this stage of this market.

4 MR. WILSON: Okay. All right.

5 MS. FERBER: Okay? It sucks.

6 MR. WILSON: It clearly sucks. We definitely agree on that.
7 Okay, so, so how -- I mean, should we leave it that I'm -- that
8 Pete's going to follow-up with me or what -- how, how, how
9 should we leave this?

10 MS. FERBER: Yeah, no, I mean, I think -- well, that's, that's
11 the only choice. I mean, we could leave it -- well, we could
12 leave it that we're big boys; we'll see each other next time.
13 Pete will follow-up when he's back Tuesday, you know. If you
14 tell me that, you know, look, if you were -- again, you know,
15 you know what Pete offered, you know. There's not no sense
16 (inaudible), but it's a perfectly appropriate thing to offer to
17 a good customer who just happened to be the poor schmuck on the
18 other side of this, you know. And if you want to do that,
19 great, you know. If not, you and Pete can keep talking, but
20 that's sort of the, you know, it's very clear that's the range
21 of things. So, I don't want to string this out, you know, for
22 no reason.

23 MR. WILSON: Uh-huh.

24 MS. FERBER: I mean, if it makes you feel better to yell at Pete
25 some more, by all means, go to it. You know I do that lots and
26 stuff.

27 MR. WILSON: (Laughing) Okay. Okay.

28

29 MS. FERBER: Okay?

30

31 MR. WILSON: Thank you for the call.

32 MS. FERBER: All right. I'm happy to talk more about it, you
33 know, at any time, you know, if it's helpful, you know. Maybe
34 if there's a little less emotion than there is in those, in
35 those other conversations.

36 MR. WILSON: I'm, I'm -- I mean, I'm more frustrated than
37 anything else.

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1 MS. FERBER: I, I -- well, it's a little better than yesterday,
2 and so am I. I cannot tell you how much of my life has gone
3 into this. You know, I, I -- you know, and plus I don't like to
4 say look how these other guys handled it. They're people that I
5 know well. And again, just whichever markets, we want these to
6 work. I mean, one of the things I said to Munir, our new head
7 of trading, today is that, look, you know, one of the things we
8 really should -- I mean, you and he should meet. You know, you
9 and Pete talking doesn't do a lot. You and he where he would
10 have the same genuine interest about, you know, which of these
11 OTC markets should be electronic? What can we all participate
12 in? More stuff like that. Those are, those are the kind of
13 worthwhile conversations that --

14 MR. WILSON: Who, who is this?

15 MS. FERBER: Munir Javeri is our new head of, of trading. He's
16 running the principal strategies group, the prop group, and he's
17 head of trading for the firm to really bring this risk taking
18 culture and stuff here and get it, get it in our markets. He
19 just started a couple of weeks ago, and we have a new chief risk
20 officer that started this week. He'll get into be -- to really
21 drive this, you know, more risk taking, higher facilitation, you
22 know trading markets, you know, driven here. I mean, they're
23 good people you should meet, and that's where, I mean, some of
24 the relationships should focus.

25 MR. WILSON: Okay.

26 MS. FERBER: Okay?

27 MR. WILSON: Thank you.

28 MS. FERBER: All right, have a good weekend, Don.

29 MR. WILSON: All right, you too.

30 MS. FERBER: Bye.

31 (END OF RECORDING)

Exhibit 9

OTC										Futures										with Exchange										
	with	without	diff	implied	diff	implied		with	without	diff	implied	diff	implied		with	without	diff	implied	diff	implied		with	without	diff	implied	diff	implied			
0	2	0.0073843	0.0073843	0.000009%	0.00000%	2	0.73843%		IRD7Y		2.844	2.844			USD_CASH_ON_3PM		0.001315	0.001315												
0.0002540	3	0.0121998	0.0121998	0.00000%	0.02540%	3	1.24538%		IRD8Y		3.102	3.102			USD_CASH_1W_3PM		0.0016855	0.0016855												
0.0002540	4	0.0167552	0.0167552	0.00000%	0.05080%	4	1.72632%		IRD9Y		3.311	3.311			USD_CASH_2W_3PM		0.0017925	0.0017925												
0.0002540	5	0.020843	0.020843	0.00000%	0.07619%	5	2.16049%		IRD10Y		3.538	3.538			USD_CASH_1M_3PM		0.00198	0.00198												
0.0002540	6	0.0243128	0.0243128	0.00000%	0.10159%	6	2.53287%		IRD12Y		3.858	3.858			USD_CASH_2M_3PM		0.00231	0.00231												
0.0002540	7	0.02844	0.0271701	0.12699%	0.12699%	7	2.84400%		IRD15Y		4.17	4.17			USD_CASH_3M_3PM		0.0026075	0.0026075												
0.0004022	8	0.03102	0.0294646	0.15554%	0.16721%	8	3.11367%		IRD20Y		4.431	4.431			USD_CASH_3M_0003_3PM		0.002605	0.002605												
0.0004022	9	0.03311	0.0313593	0.17507%	0.20744%	9	3.34337%		IRD25Y		4.674	4.674			USD_CASH_3M_0205_3PM		0.0027764	0.0027764												
0.0004022	10	0.03538	0.0329034	0.24766%	0.24766%	10	3.53800%		IRD30Y		4.8	4.8			USD_CASH_3M_0306_3PM		0.0029321	0.0029321												
For Weighted Average:										2.844%	2.844%	0.02844				USD_CASH_3M_0407_3PM		0.0030771	0.0030771											
										3.102%	3.102%	0.03102				USD_CASH_3M_0508_3PM		0.0033931	0.0033931											
										3.311%	3.311%	0.03311				USD_CASH_3M_0609_3PM		0.0036821	0.0036821											
										3.538%	3.538%	0.03538				USD_CASH_3M_0710_3PM		0.0039393	0.0039393											
										3.858%	3.858%	0.03858				USD_CASH_3M_0811_3PM		0.0044389	0.0044389											
										4.170%	4.170%	0.0417				USD_CASH_3M_0912_3PM		0.0049307	0.0049307											
										4.431%	4.431%	0.04431				USD_CASH_3M_1013_3PM		0.0054058	0.0054058											
										4.674%	4.674%	0.04674				USD_CASH_3M_1114_3PM		0.0060928	0.0060928											
										4.800%	4.800%	0.048				USD_CASH_3M_1215_3PM		0.0068054	0.0068054											
										4.800%	4.800%	0.048				USD_CASH_3M_1316_3PM		0.0077257	0.0077257											
										5.000%	5.000%	0.050				USD_CASH_3M_1417_3PM		0.0086059	0.0086059											
										5.167%	5.167%	0.05167				USD_CASH_3M_1518_3PM		0.0096285	0.0096285											
										5.333%	5.333%	0.05333				USD_CASH_3M_1619_3PM		0.0106165	0.0106165											
										5.500%	5.500%	0.055				USD_CASH_3M_1720_3PM		0.0116991	0.0116991											
										5.667%	5.667%	0.05667				USD_CASH_3M_1821_3PM		0.0127365	0.0127365											
										5.833%	5.833%	0.05833				USD_CASH_3M_1922_3PM		0.0136732	0.0136732											
										6.000%	6.000%	0.060				USD_CASH_3M_2023_3PM		0.0144327	0.0144327											
										6.167%	6.167%	0.06167				USD_SWAP_2YR_3PM		0.0073843	0.0073843											
										6.333%	6.333%	0.06333				USD_SWAP_3YR_3PM		0.0121998	0.0121998											
										6.500%	6.500%	0.065				USD_SWAP_4YR_3PM		0.0167552	0.0167552											
										6.667%	6.667%	0.06667				USD_SWAP_5YR_3PM		0.020843	0.020843											
										6.833%	6.833%	0.06833				USD_SWAP_6YR_3PM		0.0243128	0.0243128											
										7.000%	7.000%	0.070				USD_SWAP_7YR_3PM		0.0278832	0.0278832											
										7.167%	7.167%	0.07167				USD_SWAP_8YR_3PM		0.0302962	0.0302962											
										7.333%	7.333%	0.07333				USD_SWAP_9YR_3PM		0.0322836	0.0322836											
										7.500%	7.500%	0.075				USD_SWAP_10YR_3PM		0.0342634	0.0342634											
										7.667%	7.667%	0.07667				USD_SWAP_12YR_3PM		0.0370105	0.0370105											
										7.833%	7.833%	0.07833				USD_SWAP_15YR_3PM		0.0397626	0.0397626											
										8.000%	8.000%	0.080				USD_SWAP_20YR_3PM		0.0421365	0.0421365											
										8.167%	8.167%	0.08167				USD_SWAP_25YR_3PM		0.0436296	0.0436296											
										8.333%	8.333%	0.08333				USD_SWAP_30YR_3PM		0.044742	0.044742											
										8.500%	8.500%	0.085				USD_SWAP_35YR_3PM		0.0469539	0.0469539											
										8.667%	8.667%	0.08667				USD_SWAP_40YR_3PM		0.0491365	0.0491365											
										8.833%	8.833%	0.08833				USD_SWAP_45YR_3PM		0.0513165	0.0513165											
										9.000%	9.000%	0.090				USD_SWAP_50YR_3PM		0.0534942	0.0534942											
										9.167%	9.167%	0.09167				USD_SWAP_55YR_3PM		0.0556729	0.0556729											
										9.333%	9.333%	0.09333				USD_SWAP_60YR_3PM		0.0578516	0.0578516											
										9.500%	9.500%	0.095				USD_SWAP_65YR_3PM		0.0599803	0.0599803											
										9.667%	9.667%	0.09667				USD_SWAP_70YR_3PM		0.062109	0.062109											
										9.833%	9.833%	0.09833				USD_SWAP_75YR_3PM		0.0642387	0.0642387											
										10.000%	10.000%	0.100				USD_SWAP_80YR_3PM		0.0663684	0.0663684											
										10.167%	10.167%	0.10167				USD_SWAP_85YR														

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EXHIBIT

9-2-15 KB